

# California State Council on Developmental Disabilities

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## State Budget Report January 9<sup>th</sup> Initial Proposal

An Overview of FY 04-05 Budget Proposals  
Impacting People with Developmental  
Disabilities:

*Report Prepared for the Members of the  
State's Planning Council on  
Developmental Disabilities:  
January 26, 2004*

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## Foreword

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## About this Report

The State's Planning Council on Developmental Services, referred to as the California State Council on Developmental Disabilities (SCDD), has a statutory responsibility to review the state budget<sup>1</sup> as it may impact persons with developmental disabilities. Specifically, as outlined in the Lanterman Act 2003, SCDD shall:

*“Review and comment on pertinent portions of the proposed plans and budgets of all state agencies serving persons with developmental disabilities to include, but not be limited to, the State Department of Education, the Department of Rehabilitation, and the State Department of Developmental Services. This review may include public hearings prior to the submission of the Governor's Budget to the Legislature, with advice directed to the Governor, and after introduction of the Governor's Budget, with advice directed to the Legislature.”*

Also, as part of SCDD's planning responsibilities it develops a State Plan, which guides the work of the Council. The State Plan goals and objectives are accomplished through statewide and local activities with the assistance of its regional offices and local Area Boards on Developmental Disabilities. Developed with extensive community input, the State Plan defines current and emerging critical issues facing Californians with developmental disabilities and their families. The original 2002-2006 State Plan focused on: Employment; Homes; Health; Quality Assurance; and Community Supports. SCDD recently amended the Plan to add four additional areas: Education and Early Intervention; Child Care; Recreation; and Transportation. The Plan serves as the Council's strategic plan and includes performance-based measures reported annually to the federal and state governments.

This report is organized by each topic area of the State Plan. Each area is followed by a description of the related programs impacted by the 2004 – 2005 budget proposals, and the potential impact on persons with developmental disabilities. In addition, many program highlights include the dollars anticipated for savings or the increases in general fund being proposed, caseload growth, and the level of growth funded. Though rescinded, the governor's proposals related to the Department of Developmental Services in the Mid-Year report have

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<sup>1</sup> Lanterman Act 2003, DIVISION 4.5. Services for the Developmentally Disabled, Chapter 2. State Council on Developmental Disabilities, Article 5. State Council Functions.

been archived in this report and are indicated through the use of ~~striketrough~~ fonts.

This staff report is a review of the Governor's 2004-2005 budget as proposed to the legislature on January 9<sup>th</sup> 2004 as well as entries from the Governor's Mid Year Proposals. The report also includes information from the administration, the legislature, community advocates, and others.



## Section

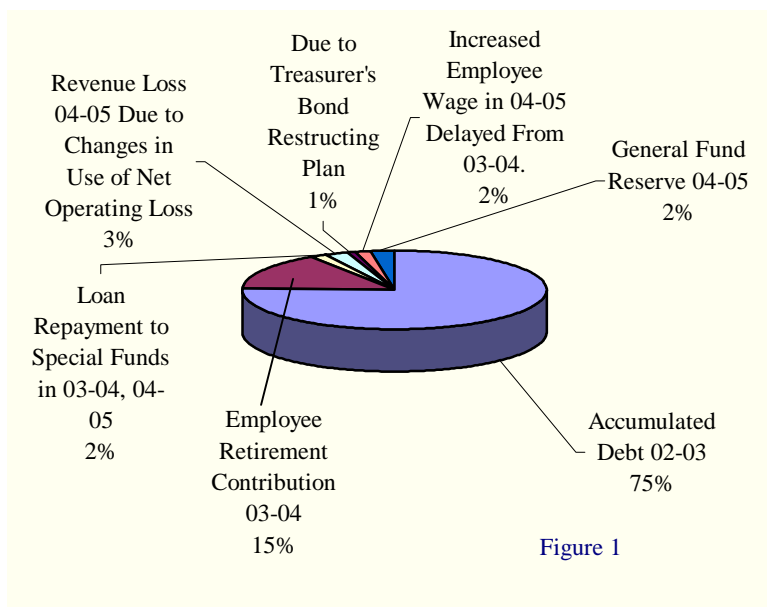
# 1

## Overview

According to the Governors Budget the state is experiencing an unprecedented fiscal crisis as evidenced by a budget deficit of \$22.1 billion dollars and an ongoing structural deficit of \$14 billion for fiscal year 2004-05 if no adjustments are made<sup>2</sup>. Over the past five years expenditures have increased by 43 percent but revenues during this period only increased by 25 percent. The administration reports that it has a four part recovery plan which includes an Economic Recovery Bond Act, a structurally balanced budget for 04-05, a constitutional amendment to require balanced budgets with reserves, and improving the California business and jobs climate.

### The Economic Recovery Bond Act

This Bond Act is to be taken to the voters on March 2, 2004 seeking their approval to issue up to \$15 billion to refinance a portion of the debt. This debt will be secured by the State using a portion of local government's share of sales and use tax as of July 1, 2004.<sup>3</sup> If necessary the administration will sell about \$2.3 billion in bonds in 2005-06 to pay for deferred obligations due during that fiscal year. The remaining \$12.3 billion of proceeds targeted for this fiscal year as identified in figure 1.



<sup>2</sup> The LAO states that the budget imbalance is "roughly \$15 billion annually." 2004-05: Overview of the Governor's Budget, Elizabeth Hill, Legislative Analyst, January 13, 2004, p.3.

<sup>3</sup> "Beginning in 2004-05, local governments' share of local property tax revenues will be increased by an amount equal to the one-quarter cent reduction in local sales and use tax. The new sales and use tax rates will automatically revert to current levels as soon as the bond is repaid." Governor's Budget Summary 2004-05, Arnold Schwarzenegger, p.3.

## A Structurally Balanced Budget

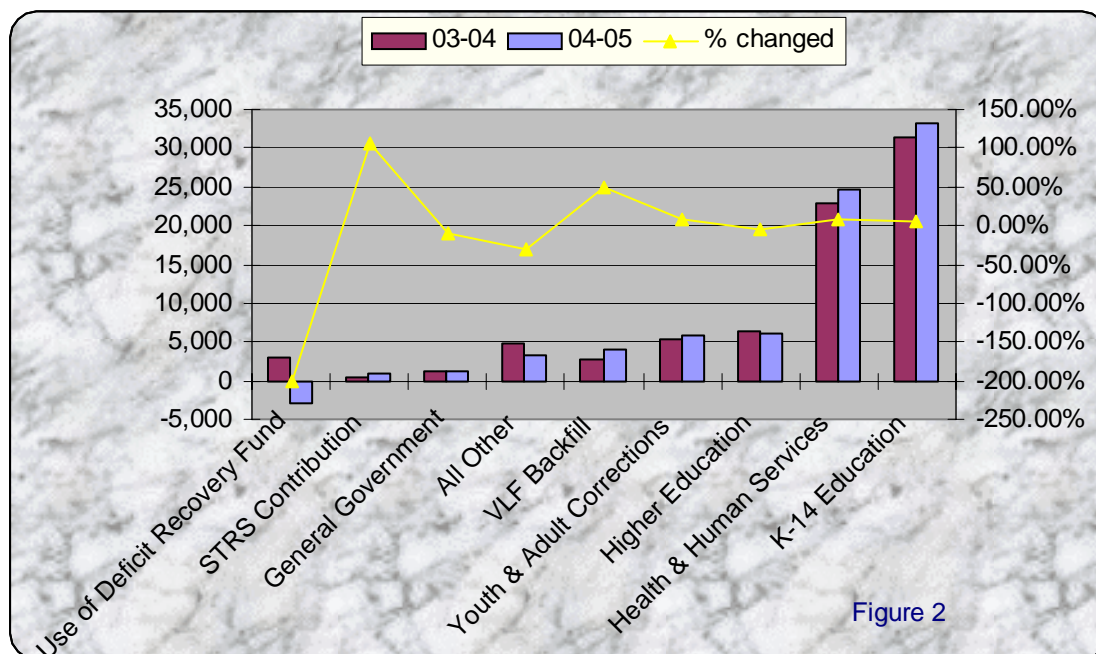


Figure 2

Overall the Governor's proposed 2004-05 Budget represents a decrease in expenditures of 2.5%, which is a net decrease of almost \$2 billion from the state General Fund. As noted by the staff report for the Senate Committee on Budget & Fiscal Review, 90 percent of General Fund spending is concentrated in four areas of the Governor's Budget, K-14 Education, Health and Human Services, Higher Education, and Youth and Adult Corrections. Specifically, in the 2004-05 budget:

1. K-14 Education receives \$33.2 billion, accounting for 44 percent of the General Fund spending,
2. Health and Human Services receives \$24.6 billion, accounting for 32 percent of the total,
3. Higher Education receives \$6.1 billion, account for 8 percent of the total, and
4. Youth and Adult Corrections receive \$5.7 billion, accounting for 7 percent of the total<sup>4</sup>.

As shown in Figure 2 above the line indicating percent of change from 03-04 to 04-05 shows overall increases in K-14 Education (5.5%), Health and Human Services (7.9%), and Youth and Adult Corrections (7.6%) and a decrease in Higher Education (-4.6%). However, while several programs will receive an increase in funding many will still not have their caseload growth fully funded.

<sup>4</sup> Figures drawn from the Quick Summary, The Governor's Budget Proposal for the Senate Budget & Fiscal Review, Subcommittee 3 on Health and Human Services, Labor, & Veterans Affairs, Diane Van Maren and Ana Matosantos, Consultants, January 9, 2004.

## Constitutional Spending Cap

Another strategy the administration is going to employ includes a constitutional amendment for voter approval, which will require the state to keep expenditures at a level lower than revenues. The state would contribute to a special Reserve Fund graduated from 1% during 06-07 fiscal year to eventually contributing 3% in subsequent years starting in 08-09. The Special Reserve Fund will be used for the following purposes:

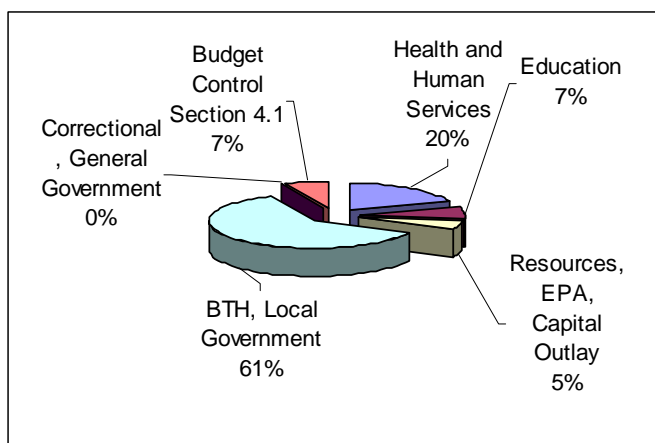
1. Repay Economic Recovery Bonds;
2. Provide a Rainy Day Fund for future economic downturns;
3. Provide a Rainy Day Fund for natural disasters.

## Improving the California Business and Jobs Climate

The administration's economic forecast points to a variety of national and state economic indicators which suggest a moderate but consistent growth trend. Indicators particularly important to California include high tech investment (eight consecutive quarters of growth with a 23% increase during the last quarter), state personal income, and California Housing permits all showing an increase. The Legislative Analyst also concurs that the forecasts are reasonable and similar to their projections.

One of the Governor's priorities for the business community is to make the cost of doing business in California less expensive. As the Council has discussed on several occasions, the workers' compensation rates have spiraled out of control and are threatening the viability of the state's business and nonprofit communities. In 1999 the Council identified low wages for direct care workers as a serious problem and barrier to quality services. However, it was not able to foresee a deflection of resources from wages and health benefits to workers' compensation insurance. Governor Schwarzenegger is planning on a comprehensive overhaul of the workers' compensation system and is expecting major reform to be proposed by the legislature. If reform does not meet his expectations, as he noted in his State of the State address on January 6<sup>th</sup>, he will develop his own proposal and take it to the voters this year.

## Current Year Reductions



The Governor is requesting that the legislature approve approximately \$2.3 billion dollars in current year spending reductions in order to balance the 2003-2004 budget. The administration has "proposed a list of 41 specific actions that

cover a range of program areas, including transportation, resources, health and human services, and education.”<sup>5</sup> The chart below illustrates the proposed cuts distributed as a percentage across budget areas. The dollar amounts represented are about \$455 million in the area of Health and Human Services, \$159 million in Education, \$114 million in Resources, EPA, Capital Outlay, \$1.387 billion in Business, Transportation, Housing, and Local Government, and \$1 million in Correctional, General Government, and \$150 million Budget Control Section 4.1 from the Budget Act of 2003 Authority.<sup>6</sup>

While several current year reductions are incorporated into the 2004-05 Budget Summary, it is still considered a separate proposal that could be acted upon independent from the 2004-05 Budget Proposal. The legislature can act upon the current year proposal or defer action and incorporate remaining proposals into the 2004-05 proposal. The administration’s overall economic recovery plan relies on achieving many of the proposals in the current year budget and may include them into the 2004-05 Budget during the May Revise process.

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<sup>5</sup> Mid-Year Spending Reduction Proposals, 2003 – 04, Department of Finance December 2, 2003.

<sup>6</sup> Figures drawn from the staff report for the Senate Budget & Fiscal Review, Subcommittee 3 on Health and Human Services, Labor, & Veterans Affairs, Diane Van Maren and Ana Matosantos, Consultants, December 10, 2003.

## Section

# 2

## State Plan Areas as Impacted by 04-05 Budget Proposals as of January 9<sup>th</sup>, 2004

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### Employment

*“Californians with developmental disabilities obtain, maintain, and advance in employment consistent with their interests, abilities, and needs.”*

#### **Enhance Work Participation Requirements: CalWorks**

Require families to participate in at least 20 hours of core work activities a week within 60 days of receipt of aid. The previous standard was 18 months. One potential impact for families would be a primary caregiver returning to work (one year four months sooner than expected) and needing to acquire specialized daycare for a child with a disability 13 years old or older. This could impact regional center funding, degree unknown.

#### **Transfer the Habilitation Services Program from Department of Rehabilitation (DOR) to the Department of Developmental Services (DDS)**

The transfer will be effective by July 1, 2004. However, as indicated by the California Rehabilitation Association (CRA), they have concerns that the current estimate of \$126.6 million is too low. CRA cites the factors such as the downturn in the economy and the consequential trend of needing to access more costly services.

#### **Mid-Year Proposal:**

#### **Reduce CalWorks Grants**

Projected Savings: Federal Fund Savings of \$44.3 million plus cost avoidance of \$990,000 in 2003-2004 and \$179.7 million in 2004-2005.

Any consumer participating in this program either as direct recipient or family member would see a reduction in the cash grant for a family of three from \$704 to \$669 a month. The savings to the state would occur immediately and impact out to next fiscal year as well. However, as noted by the LAO the cost would increase by about \$223 million in 2004-05 and about \$130 million in subsequent years, as the federal reserves are depleted and the added CalWORKs costs are borne by the General Fund due to the legal obligation to provide CalWORKs COLA

for children during VLF relief. However, the Governor proposes to suspend the July 2004 CalWORKs cost of living adjustment...and delink the CalWORKs cost of living adjustment from the Vehicle License Fee effectively suspending the October 2003 adjustment.<sup>7</sup>

**Mid-Year Proposal:**

**Maintain Current Enrollment/Caseload Level For Various Health and Human Services Programs: Rehabilitation**

Projected Savings: The administration included rehabilitation in the \$150 million fiscal emergency and has identified \$854,000 in savings to be transferred to local government to backfill the VLF relief.

Vocational Rehabilitation is a work related program that assists and trains people with disabilities to work towards gaining employment. It is projected to impact 15,863 people with disabilities in 2003-2004 and an additional 29,776 in 2004-2005.

~~Projected Savings: The cap in work related services is expected to save almost \$2 million in 2003-2004 and \$9.3 million in fiscal year 2004-2005.~~

~~The administration is proposing to cap enrollments in a variety of programs including rehabilitation at the levels served on January 1, 2004. New consumers from a waiting list will be added to the programs as current consumers drop from the program. Vocational Rehabilitation and Habilitation are both employment programs that assist and train people with disabilities to work towards gaining employment. It is projected to impact 15,883 people with disabilities in 2003-2004 and an additional 29,971 in 2004-2005.~~

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<sup>7</sup> Quick Summary, The Governor's Budget Proposal for the Senate Budget & Fiscal Review, Subcommittee 3 on Health and Human Services, Labor, & Veterans Affairs, Diane Van Maren and Ana Matosantos, Consultants, January 9, 2004.p.18.

## Homes

*“Californians with developmental disabilities and their families have control, choice and flexibility in selecting from among a full array of living options, and are respected as the primary decision-makers regarding where and with whom they live. “*

### **Specialty Affordable Housing for Persons with Developmental Disabilities**

**General Fund Increase:** The administration will increase funding for affordable housing within the Department of Developmental Services by \$.6 million. The funding will support affordable rental/housing projects and provide technical assistance to local nonprofit housing corporations.

While the cost of housing can often be a barrier to person's choice in living arrangements, affordable housing option are one method for alleviating this problem. Also, the Governor's proposal to suspend the SSI/SSP 2.8 percent state COLA and withhold the 1.8 percent federal COLA will continue to make it difficult for an individual to afford rental obligations on a monthly income of \$790.

### **Service Level Freeze for Community Care Facilities**

**Projected Savings:** The administration expects a general fund savings of \$5.1 million by continuing to prohibit service level increases for Community Care Facilities for persons with developmental disabilities. This would be achieved by extending last year's trailer bill language from a June 2004 sunset to June 30, 2005. Service level increases are historically granted by regional centers to fund residential facilities that have provided a higher level of service at a rate appropriate for a lower level of service. Residential placements may be jeopardized, as facilities are required to provide increased service and supervision if day programs and other work related services are forced to participate in closure days.

### **Mid-Year Proposal:**

#### **Return General Fund from Unused Appropriations for Housing Projects**

**Projected Savings:** The administration is estimating a return of \$5 million back to the general fund.

The Department of Housing and Community Development is to conduct a review of previously approved projects and determine which project(s) no longer require state funding. No viable project will be impacted and bond resources from Prop 46 can be used to make up any shortfall.

### **Mid-year Proposal:**



### **Eliminate the Wage Adjustment Rate Program**

Projected Savings: The administration anticipates a \$46 million savings to the general fund by completely eliminating this program.

In 2000 the governor approved the Wage Adjustment Rate Program which included ICF-DD/H and N providers to provide supplemental payments to long-term care facilities that made a commitment to increase salaries, wages, or benefits for their direct care employees. As a condition of participation, facilities were required to have a "Written Commitment" from the facility to the employees to increase their salary, wages, or benefits. According to the California Association of Healthcare Facilities, the long-term care facilities have not submitted the required documentation because, while the program was established in 2000-2001, several events have occurred between then and today. For example, "the Department of Health Services issued instructions in June of 2002, put them on hold in November of 2002 (because of budget and related concerns), and finally reissued instructions in October of 2003 after budget funding was restored. An error in the October 2003 instructions lead to another temporary hold which has now been caught up in the Mid Year budget cut proposal."<sup>8</sup>

There are several long-term care providers (both skilled nursing facilities, SNF, and homes for people with developmentally disabilities, ICF-DD-H/N) who have already entered into collective bargaining agreements and fear that they will not be able to rescind this wage adjustment even though the state may repeal the program. These programs are at risk of over committing resources over the long run, which could destabilize their operations.

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<sup>8</sup> Electronic Communication, Darryl Nixon, California Association of Healthcare Facilities, December 9, 2003.



## Health

*“Californians with developmental disabilities of all ages and abilities will have access to, and benefit from, a full range of coordinated health, dental and mental health services in their communities.”*

### **The Governor Proposes Several Medi-Cal Program Reforms**

Projected General Fund: Though the administration is projecting an overall increase of \$1.6 billion above the 03-04 spending levels, this reflects accounting and other administrative changes.<sup>9</sup> According to the governor budget, average monthly caseload is anticipated to increase 3.3 percent to 6.8 million eligibles.

The Governor’s Budget proposes several Medi-Cal program reforms, which are labeled as either program enhancements or anti-fraud efforts. Program enhancements include components such as Simplification, Multi-Tiered Benefits and Premium Structure, Co-Payments, Conformity to Private Plans, and Managed Care Reform. Current anti-fraud efforts have reportedly saved California \$371 million and created \$352 million in cost avoidances since 2000-01. Anti-Fraud efforts include a proposal to Enhance Medi-Cal Estate Recoveries and Increase Long-Term Care Insurance Purchases, Expand hospital Billing Audits, Provider Feedback, Beneficiary Confirmations, Restrict Electromyography and Nerve Conduction Test to Specially-Trained Physicians, Implement Counterfeit-Proof Prescription Pads, Convert 15 Limited-term Medi-Cal Anti-Fraud Positions to Permanent, Transfer Medi-Cal Audit Positions from the State Controller’s Office (SCO) to the DHS, Reduce Medi-Cal Provider Float.

#### **Mid-year Proposal:**

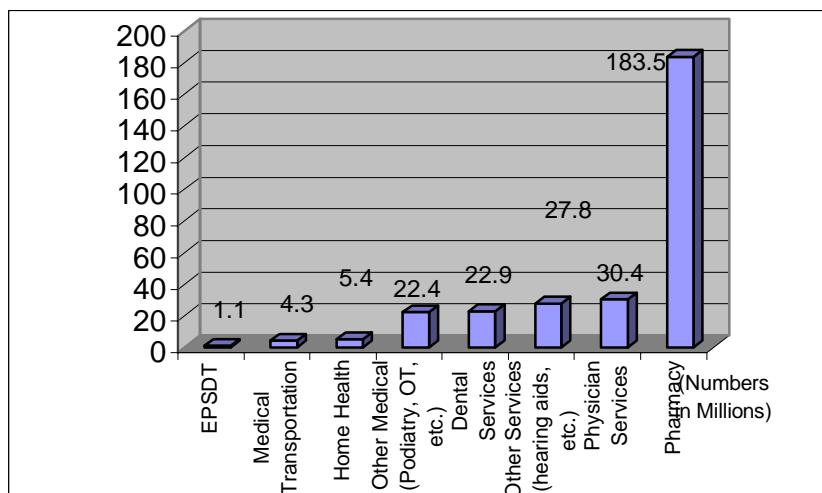
#### **Medi-Cal Provider Rate Reduction**

Projected Savings: 10% rate reduction (in addition to the current 5%) for Medical providers including physicians, non-emergency medical transportation, home health, etc., anticipated saving \$160.9 million General Fund in 2003-2004 and \$46 million in 2004-05.

In the 2000 Budget Act, due primarily to eligibility expansion, the Medi-Cal average monthly caseload was expected to increase by 6.4 percent while the state population increase was estimated at 1.7 percent increase. The average monthly number of persons enrolled in Medi-Cal is about 5.5 million, representing well over one in seven Californians. Medi-Cal cost increases continue, primarily

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<sup>9</sup> . “The General Fund increase primarily reflects the costs of using one-time savings in 2003-04 from the accrual-to-cash accounting change, and the discontinuation of the enhanced federal financial participation provided in the federal Jobs and Growth Tax Relief Reconciliation Act of 2003.” Quick Summary, The Governor’s Budget Proposal for the Senate Budget & Fiscal Review, Subcommittee 3 on Health and Human Services, Labor, & Veterans Affairs, Diane Van Maren and Ana Matosantos, Consultants, January 9, 2004.p.11.



due to growth in the number of eligibles, increases in the frequency of services, and higher cost per unit of service used. In the 2000 Budget Act \$388.9 million was allocated to increase provider rates for Medi-Cal long-term care, managed care and

fee-for-service providers to ensure continued access to quality medical care. In spite of the growth in population and cost in service delivery there had been no prior adjustments to the provider rates since 1986.

Last year, the Budget Act 2003 instituted a 5% reduction in Medi-Cal rates due to the budget deficit. However, services such as durable medical equipment (including diapers and wheelchair repairs) were not considered for budget cuts. Currently the administration is proposing to add clinical laboratory services and durable medical equipment for the list of payment reductions.

Services accessed by individuals with developmental disabilities and impacted by this proposal include Pharmacy,<sup>10</sup> Physician, Other services – i.e., hearing aids, hospice, AIDS Waiver, etc., Home Health, Dental Services, Early Periodic Screening Diagnosis and Treatment (EPSDT).<sup>11</sup> Again these programs were proposed by the Davis administration for 15% cuts but were passed with 5% cuts by a vote that included republicans and democrats, and excluded services such as Adult Day Health Care and nursing home facilities.

### **10 % Provider Payment Reductions in Public Health Caseload Programs**

**Projected Savings:** The administration expects to save \$40.7 million in the in fiscal year 2004-2005. This proposal accounts for the relation between Medi-Cal and California Children Services, Child Health Disability Prevention, and the Genetically Handicapped Persons programs.

<sup>10</sup> The California Medical Association has proposed a cost savings measure that would allow pharmacists to renew prescriptions one less time a year representing significant savings, Testimony Senate Budget & Fiscal Review, Subcommittee 3 on Health and Human Services, Labor, & Veterans Affairs, December 10, 2003.

<sup>11</sup> List of impacted services drawn from the staff report for the Senate Budget & Fiscal Review, Subcommittee 3 on Health and Human Services, Labor, & Veterans Affairs, Diane Van Maren and Ana Matosantos, Consultants, December 10, 2003.

### California Children's Services (CCS):

The CCS program provides diagnostic and treatment services, medical case management, and medical and occupational therapy services to eligible children<sup>12</sup> and young adults under 21 years of age. The CCS program, which is administered by the state Department of Health Services (DHS), has two major components. The first provides medical case management and payment of treatment and diagnostic, while the second provides school-based physical and occupational therapy services through what is called the Medical Therapy Program. The administration will cap this program at 37,600 people and as enrolled clients leave this program people on the waiting list will be served.

### Child Health Disability Prevention Program (CHDP)<sup>13</sup>

The CHDP program is a preventive health program serving California's children and youth. CHDP makes early health care available to children and youth with health problems as well as to those who seem well. Many children and youth in California have unmet health needs. Through the CHDP program, eligible children and youth receive periodic preventive health assessments. Children and youth with suspected problems are then referred for diagnosis and treatment. Many health problems can be prevented or corrected, or the severity reduced, by early detection and prompt diagnosis and treatment.

CHDP works with a wide range of health care providers and organizations to ensure that eligible children and youth receive appropriate services. These CHDP providers include private physicians, local health departments, schools, nurse practitioners, dentists, health educators, nutritionists, laboratories, community clinics, nonprofit health agencies, and social and community service agencies.

### Genetically Handicapped Persons Program (GHPP)<sup>14</sup>

GHPP provides health coverage for Californians 21 years of age and older who have specific genetic diseases including cystic fibrosis, hemophilia, sickle cell disease, and certain neurological and metabolic diseases. GHPP also serves children under the age of 21 with GHPP-eligible medical conditions who are not financially eligible for CCS. The program is administered statewide through the GHPP office in Sacramento. Although there are no maximum income eligibility requirements, families with adjusted gross income (AGI) exceeding 200 percent of the federal income guidelines pay an enrollment fee and treatment costs based on a sliding fee scale for family size and income.

In addition to capping this program at 1679 individuals, the administration is proposing to implement a co-pay, which it expects to save \$576 million.

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<sup>12</sup> Children who have Medi-Cal or Healthy Families services do not qualify for this program.

<sup>13</sup> Program description as written on the official website: <http://www.dhs.ca.gov/pcfh/cms/chdp/>, as of December 11, 2003.

<sup>14</sup> Program description as written on the official website: <http://www.dhs.ca.gov/pcfh/cms/ghpp/>, as of December 11, 2003.

### **Healthy Families and Access for Infants and Mothers (AIM) Programs**

Projected General Fund Increase: The administration plans on spending \$5.7 million dollars more in BY04-05 for the Healthy Families and AIM programs.

#### **Mid-year Proposal:**

#### **Maintain Current Enrollment/Caseload Level For Various Health and Human Services Programs: Healthy Families**

Projected Savings: The cap in the Healthy Families program of 732,300 children is not expected to save money in this current year but is expected to save \$31.5 million in fiscal year 2004-2005.

The administration is proposing to cap enrollments in a variety of programs including the Healthy Families programs for immigrant and nonimmigrant children at the levels served on January 1, 2004. New eligible children above the cap would seek assistance at the county level. The Healthy Families program provides low cost health care to children under the age of 19 with family incomes less than 250 percent of the federal poverty level, for children not eligible for no-cost Medi-Cal. Families pay a monthly premium of \$4 to \$9 per child, with a maximum of \$27 for all children in the family. Since 1998, the number of children enrolled in Healthy Families has increased from 52,000 to over 500,000. In January 2002, the federal Government announced approval of a waiver to expand coverage under the Healthy Families program to cover parents of children eligible for Healthy Families or Medi-Cal.

The Healthy Families Program is a state- and federally-funded health coverage program for children with family incomes above the level eligible for no-cost Medi-Cal and below 250% of the Federal Income Guidelines (\$38,160 for a family of three).

### **Mental Health Programs**

General Fund Increase: The Governor's Budget includes a net increase of \$304.2 million over 2003-04 in funding for community mental health services.

The Governor's Budget increases Managed Care and the Preadmission Screening and Residential Review Program and continues funding the Integrated Services for the Homeless. Early Periodic Screening Diagnosis and Treatment (EPSDT) now serves about 170,000 children and young adults under 21 and will receive \$365 million from the general fund to maintain this support despite the program's 285percent growth over the past five years. Though it is unclear of the duplicative caseload with children receiving EPSDT and regional center services one program of EPSDT, namely Therapeutic Behavioral Services (TBS), alleviates some demand on regional center respite services for children with dually diagnoses.

However, as noted by the Senate Budget & Fiscal Review, Subcommittee 3 on Health and Human Services the, “Governor proposes to eliminate the highly effective Children’s System of Care Program which provides medically needed mental health services to children with severe emotional disturbances. Also as reported by the Senate Committee, the budget “reduces Early Mental Health Initiative for Children...by \$5 million (Proposition 98/General Fund) the Early Mental Health Initiative Program which provides mental health assistance to young children enrolled in school.” Elimination of the program would save \$20 million General Fund.” The Governor’s Budget points to the “availability of a wide range of medically necessary services and large numbers of needy children and young adults receiving services under the EPSDT program” as the reason for discontinuing this program.

## Community Supports

*“Californians with developmental disabilities and their families are free to participate fully in their communities, and have the necessary community supports to enable such participation.”*

### Regional Center Cost Containment

General Fund Increase: The administration reports an increase of \$27.8 million (\$3.1 million general fund) notwithstanding \$103.7 million for the transfer of the Habilitation Services Program from the DOR to DDS. The total budget for community services is \$2.7 billion of which \$1.8 is from the general fund.

As reported in the Governor’s Budget, caseload growth for regional center services has grown 70 percent over the past ten years but costs associated with the program have increased 244 percent over the same period. The Governor’s outside audit found that regional centers:

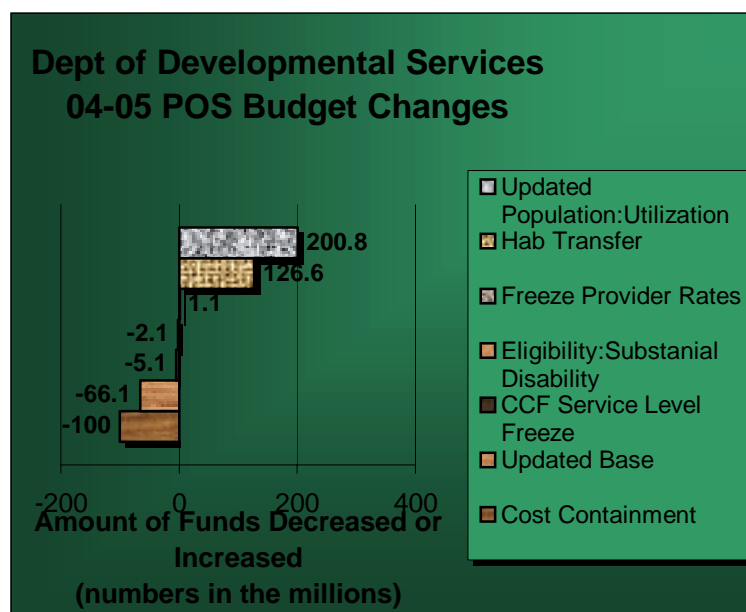
1. Have increased their budgets by \$1.1 billion general funds since 1998;
2. Have growth attributable to increases in caseload, utilization, cost per consumer, and cost associated with community placement plans;
3. Have high administrative costs and a regional monopoly;
4. Serve more consumers diagnosed with autism requiring more expensive services;
5. Have few limits on service or measures for needs;
6. “Options to contain costs must address either caseload, the scope of services, or cost of services. Specific proposals could include co-payments, statewide standards for services, individualized plans that include only necessary services, or modifying rate structures to capture additional federal funds.”

Community advocates and regional center representatives dispute many of these findings but the results from the audit have not been formally discussed in a public forum. Autism groups dispute the claim that their support services are more expensive while regional centers consistently point to their low overhead costs for reasons why community services per person cost significantly less than developmental centers.

Despite the reported increase in the total budget for DDS, this department of will need to make significant budget reductions in its community services programs as well as developmental centers. Though the budget includes funding for updated population projection and utilization expenditure growth of \$200.8 million, this is offset by a cost containment requirement to save \$100 million in General Fund support. While many details still need to be worked out, the \$100 will be realized through: (1) implementing statewide purchase of service

standards (DDS to release in draft form by March 1, 2004), (2) implementing the parental co-pay for children 3-17 years old whose parent have the ability to pay, (3) pursue accessing “special needs” trusts that are setup for the care of consumers, and (4) promulgation of statutory changes to give regional centers authority and flexibility to achieve savings specified in the budget.

Additional cost containment methods carried over from 2003 Budget Act include unallocated POS reductions, Day Program rate freeze, contract services rate freeze, Community Care Facility rate freeze, elimination of the SSI/SSP pass-through, delays in intake and assessment (60 days to 120 days), and the continuation of the non-community placement plan start-up suspension.



Savings are targeted in the regional center’s operations budget for administrative activities \$6.5 million in general fund expenditures and the governor also proposes to shift \$48 million General Fund savings to reflect the shift of Federal Title XX Social Services Block Grant funds for Regional Center services.

Total expenditures for the state Developmental Centers is proposed at \$690.1 million (\$370.3 General Fund) a decrease of \$24.7 million or 3.5 percent.<sup>15</sup>

## **~~Eliminate Non-Core Regional Center Services~~**

~~Projected Savings: The administration expects to save about \$69 Million in the current fiscal year by eliminating services it deems non-core such as respite, social-recreational activities, and non-medical therapy programs.~~

~~The most common service used by families to help them in supporting minors and young adults with developmental disabilities is respite. Respite, considered by many families to be the most important service available to them during the school years, is provided through regional center procurement either in the family~~

<sup>15</sup> Quick Summary, The Governor’s Budget Proposal for the Senate Budget & Fiscal Review, Subcommittee 3 on Health and Human Services, Labor, & Veterans Affairs, Diane Van Maren and Ana Matosantos, Consultants, January 9, 2004.p.16.



~~home or out of the family home. In-Home respite is intermittent and sometimes regularly scheduled temporary care and supervision in the consumer's home. As outlined by the Department of Developmental Services, In-Home Respite services are support services which typically include:~~

- ~~• Assisting the family members to enable a person with developmental disabilities to stay at home;~~
- ~~• Providing appropriate care and supervision to protect that person's safety in the absence of a family member(s);~~
- ~~• Relieving family members from the constantly demanding responsibility of providing care; and~~
- ~~• Attending to basic self-help needs and other activities that would ordinarily be performed by the family member.~~

~~Out-of-Home Respite Services are provided in community care licensed residential facilities. Respite services typically are obtained from a respite vendor, by use of vouchers and/or alternative respite options. Vouchers are a means by which a family may choose their own service provider directly through a payment, coupon or other type of authorization.~~

~~The average cost per regional center consumer for respite services is \$2,658 per year, whereas the average cost per regional center consumer living in a community residential facility is about \$20,000 per year.<sup>16</sup> As noted by professionals and advocates, "respite helps families keep their child with a disability in their home, with incalculable benefits to the child, developmentally and emotionally.<sup>17</sup> This is significant due to the documented proven effect that respite successfully prevents a family from having to pursue more costly residential options.<sup>18</sup> For instance, as the LAO noted last year, "a typical community placement would cost the state between \$120,000 and \$140,000 per year, inclusive of services purchased by regional centers, the operational costs of the regional centers, and Medi-Cal costs. That is 33 percent to 22 percent lower than the \$178,770 average annual cost of serving that same individual in a Developmental Center.<sup>19</sup>~~

**Figure 320**

**Costs Per Development Center (DC) All Funds**

<sup>16</sup> Staff report for the Senate Budget & Fiscal Review, Subcommittee 3 on Health and Human Services, Labor, & Veterans Affairs, Diane Van Maren and Ana Matosantos, Consultants, December 10, 2003, page 13.

<sup>17</sup> Position Paper on Mid-Year Budget Reductions, Community Alliance for Inclusive Communities, Protections and Advocacy, Inc., Arc California, Mark Polit, Ellen Goldblatt, December 2003.

<sup>18</sup> DDS Autism Spectrum Disorder, and the DDS Fact Book 2<sup>nd</sup> and 6<sup>th</sup> editions, as noted in, Position Paper on Mid-Year Budget Reductions, Community Alliance for Inclusive Communities, Protections and Advocacy, Inc., Arc California, Mark Polit, Ellen Goldblatt, December 2003.

<sup>19</sup> Legislative Analyst's Office, Analysis of 2003-04 Budget Bill, January 2003.

<sup>20</sup> Legislative Analyst's Office, Analysis of 2003-04 Budget Bill, January 2003.



<b>Developmental Center</b>	<b>Estimated 2002-03 Expenditures (In Millions)</b>	<b>Number of Residents</b>	<b>Average Cost Per Resident</b>
Agnews	\$95	454	\$208,935
Lanterman	104	640	158,336
Sonoma	132	838	157,530
Fairview	115	784	147,690
Porterville	123	854	144,615
<b>Five DCs</b>	<b>\$566</b>	<b>3,564</b>	<b>\$158,840</b>
Canyon Springs	\$11	50	\$225,574
Sierra Vista	11	53	213,923
<b>Two Leased Facilities</b>	<b>\$22</b>	<b>103</b>	<b>\$219,579</b>
Unallocated funds <sup>a</sup>	\$67	3,667	\$18,227
All facilities	\$655	3,667	\$178,773

<sup>a</sup> Total expenditures include a budgeted amount not yet allocated to any particular DC.

### In-Home Supportive Services (IHSS)

Over the past five years the IHSS caseload grew by 52 percent and the General Fund Budget grew 140 percent. The administration is proposing a variety of methods for sustaining and controlling the IHSS costs. The administration will introduce an improved needs assessment by the spring of 2004 intended to reduce over-authorization of service hours. The Governor also proposes to reduce the State's share of the wage share of cost down to the State minimum wage. The administration projects a savings of \$98 million in 2004-05 and \$130.7 million annually thereafter. The administration proposes to eliminate the requirements for the Employer of Record and the IHSS Advisory Committees, which is projected to save \$987,000 (\$1.3 annually thereafter) and \$1.2 million (\$1.6 million annually thereafter) respectively by discontinuing the State's share of funding. Finally the administration is proposing to eliminate services such as housecleaning, meal preparation, laundry, shopping, and errands for recipients who live with their family members. This proposal is anticipated to save the General Fund \$26.3 million and \$35.1 million annually thereafter.

The needs assessment and the elimination of domestic services will have a fiscal impact on regional center budgets. First, the needs assessment is expected to decrease authorization of hours that are customarily offsetting staff hours in supported living arrangements. Second, the elimination of domestic services will further strain a family caregiver arrangement and in some cases result in placement out of the family at a much greater and fixed cost to the regional center and the State.

### Mid-Year Proposal

#### In-Home Supportive Services (IHSS) Residual Program

Projected Savings: By fully eliminating the IHSS Residual Program the administration anticipates a General Fund savings of \$90.3 million in 2003-04 if implemented by April 1, 2004.

California currently supports about 76000 individuals who are low-income aged, blind or persons with disabilities in the IHSS Residual program. While a majority of recipients are served under the Personal Care Services (76%) the remainder receives residual program services including support for:

- minors who's provider is a parent,
- adults who's provider is their spouse,
- consumers needing 24 hour care and supervision,
- consumers with a severe disability requiring payment in advance,
- consumers who only need domestic chores help,
- and restaurant meal allowances (usually for consumers who live in homes without cooking facilities).

Since the 1990s, the number of Medi-Cal eligibles over 65 has increased almost 25%, yet the number of nursing home utilization has decreased from almost 44 days per Medi-Cal eligible aged 65+ in 1991 to just over 36 days per eligible in 2001. In addition when comparing the per person cost of IHSS residual services and nursing homes it represents a savings of more than \$36,000.

Since 1996 the regional centers have provided a residential service called Supported Living Services (SLS) where a consumer lives in their own home and supports and services are coordinated to help that person maintain their living option of choice. Such services are usually a combination of regional center services, rehabilitation services, local transportation, etc. One of the most critical supports services, and most similar to regional center services, is the IHSS residual program for consumers requiring 24-hour care. If individuals with developmental disabilities cannot access this IHSS service they will have to receive additional regional center support services at a significantly higher cost to the state.

## Education and Early Intervention

*“Californians birth through age 21 with developmental disabilities will maximize their developmental and educational potential through the delivery of appropriate services and supports to individuals and their families; and will be integrated and included in all facets of student life, based on personal choice.”*

### Special Education

The Governor’s Budget includes General Fund increases of \$70 million for a COLA and \$37.4 million for growth and an additional \$74.5 million in federal funding and an increase of \$23.6 million from local property taxes. While the Governor proposed collapsing 22 categorical programs in education the administration will preserve Special Education as separate funding category.

### **~~Maintain Current Enrollment/Caseload Level For Various Health and Human Services Programs: Regional Centers~~**

~~Projected Savings: The cap in the regional center caseload and subsequent suspension of the Lanterman Act puts the California Early Start Program at risk of violating federal guidelines, which do not allow for waiting lists at this time. While regional centers would still be able to provide assessments, they would not be able to provide any other service if it had reached its cap for enrollment. Also, capping enrollment of infants 0-3 years old would jeopardize up to \$50 million of federal funds used to provide early intervention services under Part C of the Individuals with Disability Education Act. The Act requires states that receive early intervention funding to provide those services to all infant and toddlers who qualify.<sup>21</sup>~~

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<sup>21</sup> Position Paper on Mid-Year Budget Reductions, Community Alliance for Inclusive Communities, Protections and Advocacy, Inc., Arc California, Mark Polit, Ellen Goldblatt, December 2003.

## **Child Care**

*“California children with developmental disabilities will be integrated and included in community child care programs, including before and after school programs.”*

### **The California State Child Care Programs**

Projected Saving: The Governor proposes significant systemic reforms and anticipates a savings to the General Fund of about \$164.8 million in 2004-05. These state child care programs are administered by the State Department of Education (SDE) (\$123 million savings) and the Department of Social Services (\$41.8 million share of savings). According to the Governor's Budget child care fraud is estimated at 10 percent (\$100 million cost) to 40 percent and the SDE found only 47 to 59 percent compliance with fees and eligibility with contracting agencies.

### **Mid-Year Proposal**

#### **Increase Community Care Licensing Fees (CCL)**

Projected Savings: If the proposal is implemented by May 1, 2004 the administration expects to generate General Fund revenue of \$1.2 million in 2003-2004 and \$5.8 million in 2004-2005.

The administration is proposing to increase CCL fees in addition to the current law that prescribes an annual fee schedule for all licensed community care facilities. DOF indicates that the intent is to increase fees gradually over a three-year period and collect fees sufficient to fund the CCL Division Program administration costs. This new fee would affect child day care which is an industry already challenged with low pay, minimal benefits for workers, and high workers' comp rates. While rates were not officially reduced last year, providers saw a significant increase in operating costs over the past few years due to the energy crisis, gasoline price increase, and out of control workers' comp rates.

## Recreation

*“Californians with developmental disabilities of all ages will have full access to and inclusion in community social and recreational programs.”*

### **Eliminate Non-Core Regional Center Services**

~~Projected Savings: The area of social and recreational activities is part of the administration's overall plan to save about \$69 Million in the current fiscal year by eliminating services it deems non-core such as respite, social-recreational activities, and non-medical therapy programs.~~

~~Many regional centers do not actually pay for social recreational services or camping for the purpose of a consumer to benefit directly from the service being provided. These services are often authorized as a form of respite for the primary caregivers from the continual and constant supervision of their child with a developmental disability, and are the only form of respite some caregivers receive. Many forms of developmental disability present with significant socialization and communication barriers, which contribute to the further segregation and alienation of persons with developmental disabilities. The experience, training and ability to learn to overcome these barriers can make the difference of a person being fully able to participate in all facets of community living versus an individual who is isolated and vulnerable to abuse and mistreatment.~~

## **Transportation**

*"Californians with developmental disabilities will be integrated and included in community transportation that enables participation in all elements of daily life."*

The administration repealed the Vehicle License Fee (VLF) which will provide a refund to vehicle owners who are consumers, residential providers, day program providers, and thousands of direct care workers who are among the:

*"Hardworking Californians who want safe, reliable transportation for their families were hit especially hard by this regressive tax."*

*—Arnold Schwarzenegger*

## **Quality Assurance: Abuse Free**

*“Californians with developmental disabilities are free of unnecessary risk of abuse, neglect, or exploitation, and are provided equal access to protection and legal remedies when those rights are violated.”*

While there were no cuts to corrections and criminal justice in this Mid-Year budget there is cause for concern regarding health and safety if proposals move forward that potentially increase isolation for people with developmental disabilities. For instance several regional centers have board policies that state consumers should have more than one provider delivering different services throughout a consumer's day. For instance, it is highly preferable that one provider offer day program services and a different provider deliver residential services. This adds to the amount of mandated reporter contacts a consumer has in his or her daily schedule and should offer deterrence to potential perpetrators of crime against vulnerable people with disabilities.

## Quality Assurance: Self-Determination and Self-Advocacy

*“Californians with developmental disabilities and their families will experience increased self-determination, productivity, integration and inclusion through Council projects and activities promoting self-advocacy.”*

Last year the Budget Act continued the pilot projects for self-determination as an effort to save money in the developmental services system. The Legislative Analyst Office, in their Budget Analysis of the January 10, 2003 Budget Proposal, also agreed with the administration’s analysis and requested follow-up data from DDS to further review the cost effectiveness of the approach. The LAO stated that, “our analysis indicates that the projects represent a potential “win-win” situation for clients and the state. Clients could gain greater control over their services and their life while the state could potentially hold down growth in program costs. We recommend the Legislature approve the expansion but take further actions to help ensure these goals are achieved.” In addition, the LAO estimated that if California were to expand self-determination to serve 1,000 clients, “we estimate the state could offset up to \$5.5 million in state General Fund costs with increased federal funds.”<sup>22</sup> While this recommendation is from last year advocates attending the latest Senate Budget hearing put forth the same idea.

## Quality Assurance: Systemic Improvement

*“Californians with developmental disabilities and their families will receive quality services and supports that are effective, responsive, timely and user-friendly.”*

~~As discussed in the Senate Subcommittee 3 staff report, the language related to the enrollment cap and waiting lists exceeds its topic area. For instance regarding due process, the proposal permits a regional center to deny, modify, reduce, or terminate any services to any consumer even if proscribed in the consumer’s Individual Program Plan (IPP) without granting the consumer the right to appeal. As noted by some advocates, “this fundamentally overturns the right to individualized services determined by the individual’s planning team. The proposed trailer bill violates a consumer’s basic constitutional right to due process. — Goldberg v. Kelly, 397 U.S. 254, 90 S.Ct. 1011 (1970).”<sup>23</sup>~~

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<sup>22</sup> Legislative Analyst’s Office, Analysis of 2003-04 Budget Bill, January 2003.

<sup>23</sup> Position Paper on Mid-Year Budget Reductions, Community Alliance for Inclusive Communities, Protections and Advocacy, Inc., Arc California, Mark Polit, Ellen Goldblatt, December 2003.





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## **Attachment A: Letter from the Chair-Elect of the California State Council, Peter Mendoza to the Chair of the Senate Budget Subcommittee #3, Health and Human Services, etc., Senator Wesley Chesbro.**

December 5, 2003

Senator Wesley Chesbro, Chair  
Senate Budget and Fiscal Review Committee  
State Capitol, Room 5100  
Sacramento, California 95814

Dear Senator Chesbro:

The California State Council on Developmental Disabilities is an independent State agency established by federal and State law. Its mandate on behalf of Californians with developmental disabilities and their families is systemic change, capacity building, and advocacy to promote a consumer and family-based system of services, supports, and other assistance. On behalf of the Council, thank you for holding a December 2003 Hearing on recently proposed changes to the Lanterman Act that will seriously affect Californians with developmental disabilities and their families. As Council Officer, I am providing information to you and Senate Budget and Fiscal Review Subcommittee # 3 members, as follows:

The Council supports the Lanterman Act's entitlement, including having no official waiting lists. It is vital that all eligible individuals begin receiving services as promptly as possible. Placement on a waiting list will delay services and potentially intensify the impact of a disability.

The Council supports individualized services and supports for all Californians with developmental disabilities; and all decisions made with the individual and their family. Individualized services and supports enable Californians with developmental disabilities to be included in their communities.

The Council supports new approaches to serving Californians with developmental disabilities as part of an overall strategy for systemic change. That change must result in individuals with developmental disabilities and their families participating in the design of and having access to needed community services, individualized supports and other forms of assistance that promote self-determination, independence, productivity, and integration and inclusion in all facets of community life. "Nothing about me without me."

The proposed changes to the Lanterman Act do not permit individuals with developmental disabilities and their families to be fully included in decisions about their individual needs and services; or to be the key decision makers in all policy decisions about their services and supports. Therefore, the Council supports continuing the Lanterman Act entitlements as well as individualized services and supports for Californians with developmental disabilities.

Sincerely,  
PETER MENDOZA  
Council Chair Elect

Cc: Senate Budget and Fiscal Review Subcommittee # 3 Members

**Attachment**  
**B**

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**Attachment B:**

**Mid-Year Spending Reduction Proposals; 2003 – 04,  
Department of Finance for Arnold Schwarzenegger,  
Governor State of California, December 2, 2003.**

[http://www.dof.ca.gov/HTML/Budgt03-04/MidYr03\\_final3.pdf](http://www.dof.ca.gov/HTML/Budgt03-04/MidYr03_final3.pdf)

**Governor's Budget Summary, 2004-05, Arnold  
Schwarzenegger, Governor, State of California, January  
9th, 2004**

[http://www.dof.ca.gov/HTML/Budgt04-05/BudgetSum04/04-05\\_BudSum.htm](http://www.dof.ca.gov/HTML/Budgt04-05/BudgetSum04/04-05_BudSum.htm)



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## **Attachment C:**

**Staff Report for the Senate Budget & Fiscal Review,  
Subcommittee 3 on Health and Human Services, Labor,  
& Veterans Affairs, Diane Van Maren and Ana  
Matosantos, Consultants, December 10, 2003.**

**<http://www.senate.ca.gov/ftp/SEN/COMMITTEE/STANDING/BFR/ home/Sub3/DEC102003MIDYEAR.PDF>**

**Quick Summary, The Governor's Budget Proposal,  
January 9, 2004, Subcommittee 3 on Health and Human  
Services, Labor, & Veterans Affairs, Diane Van Maren  
and Ana Matosantos, Consultants, January 9th, 2004**

**<http://www.sen.ca.gov/ftp/SEN/COMMITTEE/STANDING/BFR/ home/Qs200405.pdf>**

**Attachment**  
**D**

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**Attachment D: Advocacy Position Paper on Mid-Year Budget Reductions, Developed by the Community Alliance for Inclusive Communities, Protections and Advocacy, Inc., and Arc California, Mark Polit, Ellen Goldblatt, December 2003.**

<http://www.caic.org/MID-YEAR%20CUTS.htm>

# Attachment E

## Attachment E: Press Release, Governor Provides Immediate Funding For Counties, Cities 12/18/03



GAAS:36:03  
**FOR IMMEDIATE RELEASE**  
12/18/2003

### **SACRAMENTO**

Governor Arnold Schwarzenegger today exercised his executive branch power to ensure that scheduled payments will be made to cities and counties.

"I was elected by the people of this state to lead; since the Legislative leadership refuses to act, I will act without them," said Governor Schwarzenegger. "We must protect the people in this state and give the cities and counties the money we owe them."

Flanked by law enforcement, fire personnel, and supervisors, the Governor today announced his decision to invoke mid-year budget authority granted to the Governor by the Legislature. Section 27 of the 2003 Budget Act allows the Governor to spend approximately \$2.7 billion for local governments over the balance of the current budget year.

The section also gives the Governor new authority to redirect up to five percent of a specific appropriation item into another category. Schwarzenegger invoked this new authority to redirect nearly \$150 million in current-year spending to provide funds to local governments.

The Governor also announced that the Department of Finance has informed him that revenue receipts and projections through the end of this fiscal year will be \$1.8 billion higher than anticipated.

"I support local governments here today just as I did when the mayors of the state visited the Capitol weeks ago," said the Governor. "I had the responsibility to correct the error of the previous administration."

This action upholds the Governor's promise to provide local governments with the funds for essential local services -- including fire and police services. Attached is a copy of Finance Director Arduin's letter to the Legislature notifying them that the Administration is invoking the authorities under Section 27.

### **Notification of Department of Finance Position on Deficiency Authorization**

[http://www.governor.ca.gov/govsite/pdf/press\\_release/Ltr\\_to\\_DOF.pdf](http://www.governor.ca.gov/govsite/pdf/press_release/Ltr_to_DOF.pdf)

### **SECTION 27 AUTHORITY**

Chapter 157 (AB 1765)

[http://www.governor.ca.gov/govsite/msdocs/press\\_release\\_2003/Section\\_27\\_Authority.doc](http://www.governor.ca.gov/govsite/msdocs/press_release_2003/Section_27_Authority.doc)



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## **Attachment F: Governor Drops Cuts for Disabled**

**(Los Angeles Times, December 18, 2003)**

■About-face after protests wins praise from care providers. The plan would have saved \$274 million. By Carl Ingram, Times Staff Writer

SACRAMENTO — In a startling reversal, Gov. Arnold Schwarzenegger, whose proposed budget cuts in services for the developmentally disabled had caused a statewide outcry, agreed Wednesday to abandon the plan.

The governor said he did not think the cuts would be "consistent with my record as an advocate for the developmentally disabled." Schwarzenegger is an international representative of Special Olympics, a Kennedy family member and a recognized advocate for children and people with mental and physical disabilities.

Schwarzenegger sent shockwaves through the Legislature and the developmentally disabled population when, a few days after taking office Nov. 17, he singled out these Californians for his first round of cuts aimed at saving about \$274 million over 18 months.

A torrent of angry protests by the disabled, their supporters, care providers and advocates greeted the proposal for cuts. Among the protests were a demonstration at the Capitol last month by thousands of protesters and a second demonstration of several hundred Tuesday in Los Angeles.

Administration officials denied that outside pressure had caused the governor to reverse himself. They told The Times that he had taken a second look at the cuts and told his administrators to abandon them and come back with alternatives.

In a statement, the governor said he wanted to "find a thoughtful way to bring efficiencies to these services without capping the programs and shutting out families in need." He said he believed he had found a "better solution," but did not divulge it.

Under a civil rights law known as the Lanterman Act, which Gov. Ronald Reagan signed in 1969, developmentally disabled Californians are guaranteed certain civil rights and services. Services include in-home care provided by trained specialists, musical and equestrian therapies, arts and crafts, recreation and respite care for parents who care for

their children at home.

In an unprecedented move, Schwarzenegger also had proposed freezing future enrollments in the rapidly growing and increasingly expensive programs at current levels of about 185,000 recipients. He also had proposed creating waiting lists for newcomers, such as newborn babies with Down's syndrome. Typically, recipients are adults and children with autism, cerebral palsy or mental retardation.

Secretary of Health and Human Services Kimberly Belshe said Schwarzenegger is committed to resolving the state's \$14-billion budget shortage and ordered his administrators to keep looking for savings in the Lanterman Act programs but not to reduce "necessary services," which she said constitute the core features of the Lanterman Act.

Affected by his order Wednesday, she said, would be cuts that would have totaled about \$77 million in the next six months and \$197 million in the fiscal year starting July 1. "They are off the table," she said.

Critics had suggested that the proposed cuts had been sent to the Legislature without Schwarzenegger's personal knowledge. Belshe said that was not true and that he had endorsed them during the hectic first days of his administration.

Belshe said the governor's change of mind represented an "evolution in his thinking."

Senate President Pro Tem John L. Burton (D-San Francisco), who had warned that the cuts stood virtually no chance of being approved by the Legislature, welcomed the governor's reversal. He said a waiting list would have meant that newcomers would not be admitted until current recipients had died.

"I think, upon realization of what those cuts meant, he reconsidered," Burton said. "I think that, by and large, they may have been sold to him without the fullest explanation."

The governor's about-face also won praise from providers of services and their advocates, including Diane Anand, director of the Frank Lanterman Regional Center in Los Angeles, one of 21 such centers that approve and arrange services for the disabled, and Marty Omoto, director of the California Disability Community Action Network.

"They came out of the gate too fast without any consultation," Anand said of the proposed cuts. "We can save money, but not by this huge axing approach. There are good and reasonable alternatives, if the governor's office wants to consult on these things."

Omoto, who organized the protest demonstrations, said members of the disabled population and their advocates were "more than happy to work with the administration" to reach a middle-ground settlement. He called the governor's retreat "obviously a good sign for families across the state."